



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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Director  
AMY CARLSON

DATE: September 23, 2014  
TO: Legislative Finance Committee  
FROM: Taryn Purdy  
RE: Required Reports

The purpose of this memo is to provide a quick overview of required reports. In addition to the ongoing operating plan changes and program transfers, a number of reports are due to either the Legislative Finance Committee (LFC) or the Legislative Fiscal Division (LFD) prior to the September LFC meeting, primarily dealing with fiscal yearend (FYE) issues. Two other reports – exceptions to IT policy and Medicaid cost estimate and budget status – are standard agenda items at each meeting and are separately discussed.

### OPERATING PLAN CHANGES AND PROGRAM TRANSFERS

The Governor's Office submitted one operating plan change for comment prior to approval. The change would move authority from operations to transfers for bison funds in the Department of Livestock to account for its transfer to the Department of Fish, Wildlife, and Parks. The Governor's Office has also already approved seven operating plan changes, two house adjustments, and eight program transfers as time sensitive.

Staff has not noted any concerns with the changes. The report from the Office of Budget and Program Planning is attached.

### BUDGET AMENDMENTS

As of September 18, 2014 the Legislative Finance Division received notification of 37 budget amendments certified by the Governor since the June 2014 Legislative Finance Committee meeting totaling \$0.8 million in FY 2014 and \$11.3 million in FY 2015. The report by Kris Wilkinson with the full listing is included in this section.

### FYE REPORTS

For each of these reports, staff has examined and when necessary discussed with agency personnel any concerns or questions.

### Reports on Extended Encumbrances

Encumbrances are a means of establishing appropriations for expenditures that are obligated but not yet paid at fiscal yearend. For example, if the agency has entered into a purchase agreement for equipment in FY 2013 but the bill is not received until FY 2014, the FY 2013 appropriation can be used even though the department doesn't pay the obligation until after FY 2013 has ended. Another example is estimated Medicaid payments for a given year. The

department must use FY 2013 funds for a service provided in FY 2013, even though the actual claim may not be received until months or even years later.

The Department of Administration (DofA) will extend an encumbrance when the time during which the encumbrance can be expended is longer than originally determined. For example, if an agency enters into a contract to write software, the encumbrance for the contract can be extended as long as the contractor is still writing the software.

DofA extended \$5.9 million of non-general fund and \$11.8 million of general fund encumbrances. Two extensions in the Department of Public Health and Human Services (DPHHS) account for 77.0% of the general fund total - \$1.6 million for Medicaid Management Information System (MMIS) development and \$7.4 million for federal match for Affordable Care Act related integration of the CHIMES/MDCD system. Of the non-general fund extensions, the largest was \$2.2 million for the Community Development Block Grant in the Department of Commerce.

These reports are attached and can also be found here:

[http://leg.mt.gov/content/Publications/fiscal/interim/2014\\_financemty\\_Sept/non-General-Fund-Encumbrance-reqrpt.pdf](http://leg.mt.gov/content/Publications/fiscal/interim/2014_financemty_Sept/non-General-Fund-Encumbrance-reqrpt.pdf)

[http://leg.mt.gov/content/Publications/fiscal/interim/2014\\_financemty\\_Sept/GF-Encumbrance-reqrpt.pdf](http://leg.mt.gov/content/Publications/fiscal/interim/2014_financemty_Sept/GF-Encumbrance-reqrpt.pdf)

## **Loans or Loan Extensions Authorized for Two Consecutive Fiscal Years**

DofA made \$23.4 million in short-term general fund loans in FY 2014. The largest totaled \$19.8 million to the Department of Natural Resources and Conservation for federal fire reimbursements. An additional \$1.0 million loan was made to the National Guard in the Department of Military Affairs for delays in federal reimbursements.

Short term loans from the general fund to either state or federal accounting entities for two years in a row totaled \$102.5 million. The two largest, comprising over 76% of the total, are:

- o Montana Department of Transportation - \$56.7 million for federal funding of the highway trust
- o Department of Public Health and Human Services - \$21.6 million for Medicaid federal medical assistance percentages (FMAP) reimbursements

The university system had \$14.9 million in extensions, primarily due to the timing of grants and contracts reimbursements.

These reports are attached and can also be found here:

[http://leg.mt.gov/content/Publications/fiscal/interim/2014\\_financemty\\_Sept/Inter-entity-loanreqrpt.pdf](http://leg.mt.gov/content/Publications/fiscal/interim/2014_financemty_Sept/Inter-entity-loanreqrpt.pdf)

## **Cash Balances in Excess of Statutory Limits**

Statute requires that OBPP report on any fund that has a fund balance that is in excess of the statutory limitation of greater than twice the annual appropriation or of the biennial appropriation, and why the excess exists or existed. OBPP reports that 20 funds were in excess of the statutory limit.

This report is attached and can also be found here:

[http://leg.mt.gov/content/Publications/fiscal/interim/2014\\_financemty\\_Sept/Fee%20Accts\\_OBPP.pdf](http://leg.mt.gov/content/Publications/fiscal/interim/2014_financemty_Sept/Fee%20Accts_OBPP.pdf)

## **New Enterprise and Internal Services Funds**

One new internal service fund was established in the Office of Indian Affairs to account for training registrations and related expenses.

## **Environmental Contingency Account**

The environmental contingency account is funded from interest income on the Resource Indemnity Trust and used for various types of environmental related emergencies. In FY 2014, there were two instances for which a total of \$47,132 was expended, including disposal of hazardous materials in the Cogswell building, and for a Japanese beetle contingency. A further \$113,465 is reserved for three separate projects, including fire restoration, Eurasian watermilfoil sites treatment, and additional Japanese beetle contingency.

## **Amount, Location, and Nature of Space Used**

The state receives a report each biennium that details the rental and lease charges being made to state agencies for the use of non-state owned property. In addition, the state calculates an average rental price in each city to compare against costs charged to the state to ensure the state is paying a competitive rate.

A summary of this report can be found at:

[http://leg.mt.gov/content/Publications/fiscal/interim/2014\\_financemty\\_Sept/2014AverageMarketLeaseAnalysis.pdf](http://leg.mt.gov/content/Publications/fiscal/interim/2014_financemty_Sept/2014AverageMarketLeaseAnalysis.pdf)

## **Proposal for Funding the Community Colleges**

In accordance with statute, the university system submitted a budget for the community colleges on September 1. The Board of Regents has approved a budget submittal for the community colleges and staff will provide a detailed analysis of the executive budget prior to session.

## **Parents as Scholars**

DPHHS is required to report annually on the number of persons participating in the Parents as Scholars program, which allows TANF cash recipients to pursue education full time. This report can be found at:

[http://leg.mt.gov/content/Publications/fiscal/interim/2014\\_financemty\\_Sept/tanf-parents-as-scholars-report.pdf](http://leg.mt.gov/content/Publications/fiscal/interim/2014_financemty_Sept/tanf-parents-as-scholars-report.pdf)